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"Is There a Lumber Trust?"

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Is There a Lumber Trust?

By

ROBERT SEELAV

Reprinted from The Editorial Review, February, 1912

With the Compliments of the Author

ROBERT SEELAV
Member of the New York Bar
New York, N. Y.
U. S. A.

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Is There a Lumber Trust? by Robert Seelav, is a review of the lumber trade, as well as a discussion of the Trust question in that industry and contains a thorough analysis of the report of the Bureau of Corporations on the timberlands of the country, revealing some of the fallacious reasoning and conclusions included in the Government report. Among the many contributions on the Trust question little has been written in regard to the conditions prevailing in the lumber trade. Indeed, the writer, who is a practising attorney in New York, of Russian birth, and who has for years studied the question and has been associated with lumber establishments here and in Europe, believes that this is the first attempt to present the subject as it deserves to be presented. Every phase is discussed, from the relation of the farmer and the mill-man to the consumer-manufacturer, to the problem of conservation and preservation of the forests; also the tendencies of the Lumber Merchants' Association, as well as the attitude of the Government toward them and the possible remedies against any attempt toward arbitrary action by the lumber merchants. Mr. Seelav urges upon the Government the taking of immediate steps to restore the vast forests that have been razed by the march of settlement and civilization, and presents a summed-up substance of the Report of the Investigation of the Lumber Trade ordered by a resolution of the United States Senate.

By The Editor

IS THERE A LUMBER TRUST?

By Robert Seelav.

In these days of trade corporations or "Trusts," real and imaginary, one important branch of the tree of commerce has been somewhat overlooked. As our newspaper scribes score each combination of trade, exposing its methods and waxing warm over its inhuman exactions, they seldom mention a "Lumber Trust." Recently the press has been dwelling a little on the conditions prevailing in that industry, but the general ignorance of the outside world as to those conditions makes these criticisms somewhat ineffective. Ambitious representatives of the Federal Government have lately sought to unearth illegal combinations in the lumber trade, but their efforts are the result of public clamor against trusts, and of their desire to win laurels as "trust-busters."

The consumer is the one eminently fit to judge of the existence or non-existence of a trust or combination controlling a certain commodity. With but little calculation, he draws the most natural and correct conclusion. With his pay-envelope as a basis, he discusses most vividly the complicated trust problem. But the average person rarely buys lumber in its rough stage and never buys it in such quantities that he will easily observe a systematic increase in its price.

An article purchased in the open market, if it be made in part or even entirely of wood, may be higher in price now than at any time in the past. But the increase is not attributable to any extortion on the part of the lumberman. Many other factors have contributed to the higher cost of the article. The actual increase on the cost of only the lumber is comparatively slight, and the dealer will rarely advance that as the excuse for the increase. Hence the householder and voter, when philosophizing over the higher cost of living and the empty market-basket, indulges in no particular condemnation of the forest monopoly.

The price of lumber has, it is true, increased during the last

ten years, and the manufacturer pays now ten dollars per thousand feet more than the price paid for the same sort and grade about the year 1900. In other words, on every foot of lumber the price has been raised one cent. Few articles on the market require more than one hundred feet of lumber in their construction, or a total increase of one dollar for the entire supply of lumber consumed. Now we find that the price of the complete article has been advanced a great deal more than one dollar, perhaps ten times as much. Looking into the field of construction and building, where the lumber and timber consumed often exexceeds the 100,000 feet mark, we find as well that the actual advance on that commodity has been comparatively small in its ratio to the entire cost and when considered side by side with the other elements of construction.

If we compare the advance on other products we wonder that the lumberman is as lenient as he has been, burdened as he is, together with the others, by the alleged extortion of the real trusts of this country. The principal item which enters into consideration of the lumberman is that of freight, in order to bring the supply to the centre of population, which includes conveying the material to the mill and from the mill to the railroad. Glance at the freight bill, the toll levied by the railroad, and you will be astounded at the leniency of the lumbermen. The average freight bill may be computed at one-third of the full purchase price of a carload of lumber, often, as in the case of the low grades of North Carolina pine, the lumberman receives $15.00 per thousand feet and is compelled to pay out to the railroad over one-half of that amount for transportation.

The lumber industry is in the hands of individuals of high character and, proportionate to the population, not now numerous. Yet, a trust within this industry is quite impossible. Even a gentleman's agreement, as the term is applied to designate an unwritten agreement as to prices, is a remote possibility. There are a few organizations within the lumber trade, but, first, only a small number of merchants actually join them and, what is more important, those so organized are combined only for the purposes of protecting the industry from any general attacks; they are on the defensive, rather than on the aggressive.

A great source of annoyance and one requiring the intervention of lumbermen's associations is the regulation of grades, which, of course, is peculiar to the lumber trade. Each and every board is

carefully inspected and graded, and vigorous disputes often arise as to the standard for grading. This can be decided only by properly organized associations, which lay down uniform rules for the guidance of the inspectors and the general trade.

Rarely has the lumber trade known of an association formed with the express purpose of "regulating" prices, even were such an object a possibility. The older lumbermen in the City of New York still remember the mutual arrangement known as the "Spruce Agreement." This act by the lumber merchants was one assumed as a matter of urgent necessity. Some of the merchants, in order to receive the contracts for the entire supply of woodwork and lumber for a building in the course of construction, would agree to sell to the builder all the spruce necessary for a price much lower than the cost to himself. In fact, the sacrifices made on that particular kind of lumber were so severe and assumed such seriousness, that the lumber merchants decided to give up the foolish competition which served no purpose, and are now selling spruce on a fair and reasonable basis.

Every trade must have its associations for the purposes of maintaining its proper code of unwritten ethics and to take such action as may be necessary for or against measures that generally affect their respective industries.

There has not been even a semblance of centralization in the lumber industry. Any merchant may buy from the small timberland owners their outputs and thus get in and ship down to the centres of trade many millions of feet of lumber, although by far the larger merchants are those who possess their own tracts of timber which they cut down in a careful and systematic method. The number of merchants as well as the sources of supply are widely scattered. In every state there are thousands of more or less considerable tracts of timber lands and it would require a fund infinitely greater than that reputed to be invested in the oil industry in order to develop a lumber trust of any magnitude. The fact is that in the lumber industry the peculiar conditions tend against rather than for concentration of interests. In the year 1909 there were in this country 46,584 mills, which cut during that year 44,509,000,000 feet of lumber, and the largest of them did not cut any more than one-half of one per cent. of the total output of lumber. It is a practical impossibility to consolidate nearly 50,000 mills into one body acting in a dominating, arbitrary style.

In the ownership of standing timber, as distinguished from that of lumber ready for the market, there are, to be sure, some vast holdings centred in a few owners. In fact, the reports of the alleged centralization of timberland ownership prompted the United States Senate to pass a resolution instructing the Secretary of Commerce and Labor to investigate the lumber trade in the United States, and the author of the resolution, yielding to public clamor, worded it with the following significant expression:

"The said investigation and inquiry shall be conducted with the particular object of ascertaining whether or not there exists among any corporations, companies, or persons engaged in the manufacture or sale of lumber, any combination, conspiracy, trust, agreement or contract intended to operate in restraint of lawful trade or commerce in lumber, or to increase the market price of lumber in any part of the United States."

The report is either an apology on behalf of the government, or a terrible denunciation of the methods adopted previously by Federal Administrations in presenting to their favorites all our natural resources.

The substance of the report may be summed up in the table of statistics presented therein as follows:

SUMMARY TABLE.

	Billion Feet.
Grand total	2,826
Privately owned	2,197
Investigation area (about 80 per cent)	1,747
Pacific-Northwest	1,013
Southern Pine Region	634
Lakes States	100
Out of investigation area	450
National Forests owned by Government	539
Reserved Forests owned by Government and by States	90

Speaking of the three largest holdings in timber, The Southern Pacific Company, The Weyerhauser Timber Company and The Northern Pacific Company, who own, together, 238,000,000,000 feet, the Commissioner says:

"It is worth pointing out that these three immense holdings were virtually made possible by the land grants of the Federal Government to great railroad corporations. Practically all of the acreage of the Southern Pacific Company was secured through the Government land grants. . . . The enormous holding of the Weyerhauser Timber Company, aggregating 1,945,000 acres, is based on the Northern Pacific

land grants . . . Notwithstanding the fact that the timber land which it now retains is but a remnant of its original holding, the company (Northern Pacific) nevertheless ranks third in the list of the country's timber owners.

"The character of the Northern Pacific's timber, and, in consequence, that of the Weyerhauser Timber Company, was considerably improved through the 'forest lieu' legislation. This was a provision included in an appropriation act of June 1, 1897, which allowed a settler or owner (thus including land-grant railroads), whose lands fell within the boundaries of a forest reserve, to exchange such lands for an equal area to be selected from unoccupied and non-mineral lands anywhere in the public domain; these selections were subsequently restricted to surveyed lands. Under this legislation (since repealed) the Northern Pacific made very extensive relinquishments of poor land within the national forests, securing an equal acreage, selected for timber value, elsewhere in the public domain.

"A special lieu-selection law affecting the Northern Pacific was passed in connection with the creation of Mount Rainier National Park by act of March 2, 1899. This provided for the relinquishment of the Northern Pacific lands within the national park area and within the Pacific Forest Reserve, giving the railroad the privilege of selection of surveyed or unsurveyed non-mineral lands in any State into which it extended. Under this act, the railroad relinquished over 500,000 acres, obtaining in exchange heavily timbered lands in other portions of the Northwest, of which at least 300,000 acres was sold to the Weyerhauser Timber Company and to other companies in which the Weyerhauser family is interested.

"This 'forest-lieu' legislation was intended to enable the Government to regain as much land as possible for reservation in compact blocks, and to enable the settlers within the forest reserve limits, who so desired, to re-locate where the settlement of country would not be arrested by such wholesale withdrawals. By the actual working of this legislation, however, a large amount of comparatively worthless land was returned to the Government by the Northern Pacific Railway Company, which obtained in exchange an equal amount of excellent timbered land. Thus, while the land-grant legislation largely made possible such immense single holdings as those of the Southern Pacific, Weyerhauser, and the Northern Pacific Companies, this 'forest-lieu' legislation resulted in improving the character of the Northern Pacific lands (including those sold to the Weyerhauser Timber Company and other companies in which the Weyerhauser family is interested), and consequently increased their value, through the privilege of making selection in heavily timbered regions on the relinquishment of much less valuable land, or even comparatively worthless land within forest reserve limits.

"Only forty years ago at least three-fourths of the timber now standing was publicly owned. Now about four-fifths is privately owned."

The report adds:

"Such laws were wholly inappropriate to forest regions. . . . In

theory they were intended to distribute the public lands in small tracts as homes for freeholders. In fact, they actually furthered timber concentration in vast holding."

The settlers, it appears, who under the "Timber and Stone Act," received valuable land for a nominal price, $1.25 per acre, did not cultivate it, but sold it outright to a few individuals, who sought the timber land purely for speculative purposes and are now retaining the claims for the benefits to be derived when the price of lumber is exceedingly high.

In the popular understanding a Trust is a combination controlling a market in the strict sense of the word. We connect with the term "Trust" a systematic effort, by a few, to stifle any competition. Some large combinations have been accused of adopting measures that fall very close to the criminal in the attempts to concentrate the trade in their own hands. This is not true of the lumber trade.

But even these vast holdings do not loom up threateningly on the horizon in a manner worthy of caricature as an all-devouring octopus. The holdings of the Southern Pacific Company, which on their face appear like a huge, formidable monopoly, are not, in fact, nearly so menacing as they may seem by such showing. Assume that this railroad owns outright a tract which will yield, according to data supplied by the Government, 106,000,000,000 feet of lumber, or six per cent of the entire supply of the country. Now, the Southern Pacific itself will have consumed during the next fifty years over 10,000,000,000 feet of lumber, employed daily for its own uses and purposes. In other words, at the end of that period, when, it is predicted, the crisis in the lumber supply is reached, the Southern Pacific Company will have consumed for its own exclusive purposes 10,000,000,000 feet of its reserved timber. This portion must therefore be excluded from any consideration of the amount of lumber alleged to be withdrawn from the market for monopoly or control of the trade.

The amount of the timber said to be held by the three largest owners will reach the total of eleven per cent. of the entire supply in the United States. The Government Commissioner admits that in reaching this total he did not limit himself to the actual holdings of these three owners, but included in this total the holdings of others, friends and relatives of the Weyerhausers, who, in his opinion, may some day act in accord with the desires and plans of the larger holders.

It is inconceivable how the holders of eleven per cent. of the supply of a commodity can possibly become an arbitrary trust, even assuming that they will all act in unison, or, how the holder of six per cent. of such a commodity can loom up as frightfully as some will depict him.

Should the occasion arise, the system of reforestation can always be employed to combat or to forestall any attempt to control the supply or price of lumber. Again, there are wide stretches of timber land throughout Canada, Mexico, the Indies, and the Philippines, and millions of miles of it in South America which, in time of urgent need, can be utilized in spite of the difficulties in the cutting and of the transportation of the lumber to distant points. The countries of Europe do not hesitate to import from this country countless shiploads of lumber. Why can not we import from our neighboring lands? The kinds of lumber thus imported can be put to the exact uses to which we now employ our home-grown species. The sorts of lumber produced in Mexico, for instance, can easily supplant some of our own kinds. Chico-zapote or red ebony will take the place of maple for floors or bowling alleys, and for other purposes, and would prove a remarkably good substitute for the domestic lumber used for railroad ties. "Juspkin" will take the place of white wood. "Ceibo" and "Bary" are similar to our oak, and "Hoves" is richer in color than quartered oak or even mahogany. "Guapaque" may be well used for wagon hubs and other articles. In fact, the many sorts and kinds of lumber growing in the Southern countries, some of which have not yet been experimented with, if imported and brought to this country can be employed equally well as the domestic sorts and thus prevent any form of monopoly that may be attempted by any number of individuals.

The Government Commissioner deplores the fact and advanced it as a reason to prove his allegations of monopoly, that while the Pacific Northwest has five-elevenths of this country's privately owned standing timber, it supplies only one-sixth of the annual cut. The Commissioner adds that there is a strong effort being made to preserve the timber until the country shall face a crisis, and the price rises to a prohibitive figure; the price of "stumpage" or standing timber is now high enough to discourage further transfers. The Pacific Northwest can not produce any more than one-sixth of the lumber supply. The freight on its lumber,

if shipped to Eastern ports, would more than consume the profits derived, and this limits their field of activity to a certain territory, the Western and Northern States. Then, it must be remembered, that the Pacific Northwest produces only one species of lumber in abundance, Douglas Fir. That section of the country can not level any more Fir than is demanded. Hence the "complaint" of the Government disappears without a possibility of resurrection.

On the other hand, it is probably a blessing for this country to have the supply of lumber reasonably withheld and limited. The dearer a commodity, the less of it is consumed, and the less of it wasted. In the lumber trade in particular, the waste perpetrated by the manufacturers is abnormally high. In every sort and description of lumber, in boards, flooring, shingles or logs, there may be found various grades—as many as twenty different grades in some species of lumber or its products. When the price is high a lower grade can be utilized, otherwise the higher grades are more in demand and the cheaper or lower grades are permitted to decay and become useless.

The present value of the privately owned standing timber of the United States, 2,197,000,000,000 feet, is estimated at $6,000,000,000, or an average of $2.75 per thousand feet of "stumpage." Our annual consumption of timber is about 50,000,000,000 feet, while replacement by new growth is only about one-third, and at this rate our timber lands will be entirely consumed in about fifty-five years. Unless stringent efforts are made by the Government to make the replacement equal to the consumption, the next generation will face not only a famine but an actual and distressing absence of any kind of lumber, even for its most urgent uses.

In the wave of excitement that spread over the country following the decision of the United States Court in the Standard Oil and American Tobacco cases, the lumber trade received its quota of sensational rebuke. The newspapers set up a straw figure which was labelled "Lumber Trust" and devoted its precious columns to the task of ripping open this figure, without revealing that its insides are mere straw. The press of the country is working up hysterically a spirit of antagonism towards all trade associations and, of course, the lumber trade cannot remain immune from these attacks.

In response to this general demand of our public-spirited edi-

tors, the Department of Justice instituted suit against all the lumbermen's associations to dissolve their organizations and thus remove their legal standing. The lumbermen are charged with attempting,

"to close the door of the wholesale dealer and manufacturer in all parts of the United States to the consumer, and arbitrarily and unreasonably deprive such manufacturer and wholesaler, as aforesaid, of the trade of the consumer residing in the territory covered by the retail dealers' trade . . ."

The allegations of the Government complaint allege that the Lumbermen's Associations have unduly and "unreasonably" restrained and prohibited the lumber trade in a manner and style which bring them within the prohibition outlined in the Sherman Anti-Trust Law. The facts submitted, which took the Government agents so long to uncover, have been well known and obvious to everybody else for the last ten years. Restraint of trade is the act of holding back or hindering certain competitors from indulging and exercising their true rights and for the purpose of bringing into the coffers of certain firms, additional and improper benefits and emoluments. The restraint charged in the complaint against the lumbermen is that the wholesalers have agreed not to sell to such of the consumers who, in the ordinary course of trade, should properly patronize the retailers. The world over, and in every branch of commerce, the manufacturer or wholesaler, if he is at all in harmony with the fellow members of his trade, will give his customers, or retailers, as they are known, a certain field of activity, free and unrestrained. If the wholesale lumbermen will sell their stock directly to the consumer he can easily afford to dispose of it at a very much reduced price, and earn, at the same time, a fair profit, thus cutting out completely the middleman, who is compelled to buy from the wholesaler. The act of the Lumber Trade Association in restricting the wholesalers is a benevolent act, absolutely essential for the general welfare of all, and is a step taken not to the betterment, but to the detriment of the wholesalers, who lose millions of dollars by this arrangement and restriction. Restraint of trade, such as would make a person guilty of crime, is, naturally, an act which will inure to his benefit and will increase his profits. But an act which results in a material loss of money to him for the purpose of giving the opportunity of an ordinary profit to the smaller business man, is not restraint of trade, but release of

trade in every sense of the word, and is an act to be commended and not condemned.

In the city of Chicago, charges have been made against the Retail Lumber Dealers' Association, in which it is alleged that they have succeeded in influencing the wholesalers to withhold and refuse the sale of any lumber to the mail-order houses. Perhaps it is only a question, in that particular city, as to who is more powerful and wields more influence with the powers that be, the lumberman or the mail-order business man. The charge seems to be more a matter of spite and revenge; is purely local; and everyone in the trade has had full knowledge of these disputes for a number of years past. That the wholesalers have refused to sell any lumber to the mail-order houses, which are in direct competition with the retailers, is a well-known fact, and is directly in line with their policy of protecting the middleman, or retailer, in his effort to ply his trade with a reasonable and fair degree of profit. No one can find any trace of viciousness nor any breach of business ethics in the fact that the wholesalers, while losing large sums of money by that act, protect the smaller man who needs and deserves such protection.

Strange as it may seem, the cloud that threatens danger to us is due not to the presence of large capital, but rather to the absence of it. It has occurred to many of us that, more and more, forests are sold and transferred to foreign syndicates, while our own investors sink their capital into imaginary bonanzas rather than into the real wealth of the forests.

An excellent tract of timber land is presented by an owner for the purpose of securing a purchaser, and the Wall Street broker who interested himself in the proposition, though controlling millions in American capital, communicates, instead, with London for an offer on that timber land. Bankers throughout the city have at their disposal millions of dollars of foreign capital with instructions to invest in timber lands in the United States or in pulp wood and mahogany anywhere in North America.

Foreign capital does not manipulate. It stores away its millions in safe and sane enterprises, and there is nothing so certain in increased value and development as the products of the forest.

A certain newspaper owner is reputed to be worth many millions of dollars. One of his enterprises is the manufacture of all the necessary paper from the spruce lumber. Take the map of Newfoundland and draw a line about his holdings in timber lands,

and note how careful he has been to monopolize the best portion obtainable; this enterprise requires no marvelous ingenuity—just an investment, and an appreciation of the possibilities in it. But this journalist is not an American, just a "slow" Englishman, while our own Yankee journalists are desperately fighting paper dealers, contending for lower tariff, raising the price of subscriptions and experiencing no little difficulty with the supply of paper —all this, with that great territory of spruce within distance.

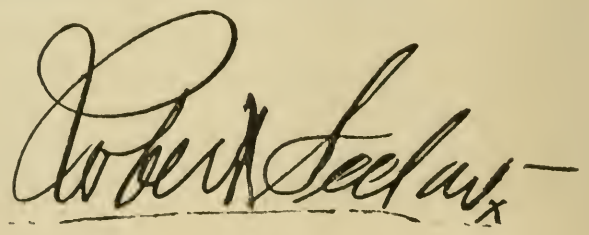
The word "conservation" has become the talk of the day. It has been made popular by the long and heated controversies of a few ex-office holders who made "conservation of the forests" their platform for public approval.

The Forest Service of the Federal Department of Agriculture has accomplished, in a measure, a great deal towards the protection of the forests. Large tracts of timber land have been reserved, that the timber upon them may develop freely, until, in the opinion of the authorities, the merchant may be permitted to turn the trees into articles of commerce. The lumber trade has entertained great doubts as to the possibility of finding a person qualified to use the sense and discretion essential in the important work of designating and guiding the work of reservation. Wide experience and infinite knowledge, as well as a deep consideration both for the people and the lumber trade, are absolutely necessary.

In every State, as well, there is an efficient Department of Agriculture and Forestry, and everywhere there have been wide reservations and numerous reforestations.

Reforestation is more important and essential than reservation. Millions of young trees should replace the stumps and barren places that cover the hillsides. In thirty to forty years the little saplings will be fair, though not very stout trees, and will produce boards of ordinary width. But at the end of fifty or sixty years, the trees will be developed and produce the finest lumber.

Instead of finding fault with one another, inciting needless prosecutions and controversies, let us pay more attention and lend more strength to our Forestry Service and work for the improvement of our great, beautiful and indispensable forests.



In connection with the foregoing article The Editorial Review reprinted the following editorial from the New York Lumber Trade Journal.

Editorial

AN APPEAL TO REASON.

THE harshest criticism and the one most justified is that of the government's silence concerning a lumber trust.

The daily press and periodicals generally and almost without exception are continually harping on a lumber trust. Every cartoon that caricatures the trusts has the lumber trust in with the rest.

And yet

There is no Lumber Trust

and

THE GOVERNMENT KNOWS IT.

The Department of Commerce and Labor in an investigation which has cost tens of thousands of dollars of the people's money, knows it.

The Department of Justice in an investigation which has cost tens of thousands of dollars of the people's money, knows it.

WE KNOW THEY KNOW IT.

Therefore we submit

That the government is entirely unfair in allowing it to be understood to the contrary.

Such suits as the government is bringing is against local conditions and there is no trust feature involved in the contention; on the contrary the whole attitude of the associations interested is distinctly anti-trust.

Further, we submit:

That the government is not only unfair, but that it should be above any such petty intrigue.

We know nothing about the manner in which the Department of Justice has been treated elsewhere, but we challenge it to contradict that in the east it has met other than with the greatest frankness.

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Then why can not the Department be equally frank?

Is it possible it is not willing to fight on its merits?

A New York daily recently said editorially:

"Can the Lumber Trust and the Paper Trust defeat reciprocity?"

Why not be fair and tell the people that the Lumber Trust is not trying to defeat anything, for there is no Lumber Trust. Why allow the public mind to be poisoned when it is vital to the cause of justice that it should be unbiased?

Why be petty?

Why not be big and manly and fair?

The lumber trade, as a trade, is not to be blamed because there are many manufacturers who think a tariff on lumber a necessity and are putting up a fight for it.

These manufacturers who are agreed on this part are not in a trust; they control nothing except themselves individually, and if they are agreed on the tariff proposition they are not in accord on much of anything else and especially as to prices, and they have not as much resemblance to a trust as a jack rabbit has to a mule.

And so we say to Mr. Wickersham and to Mr. Knox, and above all to the President, Mr. Taft: be fair, be open and above board, and come out now and tell the people what you know—and that is:

THERE IS NOT A SHADOW OF A LUMBER TRUST.

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